

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES)	
OF DELTA NATURAL GAS)	CASE NO. 9331
COMPANY, INC.)	

O R D E R

On December 6, 1985, Delta Natural Gas Company, Inc., ("Delta") filed a petition for rehearing on several issues, including the elimination of certain lost on- and off-system transportation customers from sales revenues. On December 30, 1985, the Commission issued an Order granting rehearing only on the issue of the lost transportation revenues. On January 17, 1986, Delta filed a response to that Order.

In the Order of December 30, 1985, the Commission stated that Delta should be prepared to show how an adjustment to revenues such as Delta suggested was appropriate, given its sustained growth in recent years, including the test year. The Commission's use of the phrase "sustained growth" was in reference to Mr. Jennings' pre-filed testimony and his testimony at the hearing in which he stated, "(Delta has), in the last eight years, grown in terms of size of the company, number of customers or any other measures you want to use, over 300 percent..." Delta's response filed January 17, 1986, however, stated that Delta has

not experienced growth in residential and commercial sales and quoted retail sale figures showing a decline, or at least variability, in sales over the last four years. Therefore, Delta claims that the loss of 157,157 Mcf from on-system transportation customer Sipple Brick Company and 19,308 Mcf from Johnson County Gas Company (an off-system customer) should be reflected in a reduction in total revenues for the test year.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

(1) In spite of Mr. Jennings' frequent references to Delta as a growth company, the evidence does indicate that it is experiencing a decline in customers and sales volume and that that decline could make a large loss in transportation volumes especially harmful.

(2) The loss of on-system transportation revenues from Sipple Brick Company is material, known and measurable. Without adjustment for this loss of sales, test year volumes are unrepresentative of Delta's current condition. Delta should be allowed to exclude the loss of revenues attributable to Sipple Brick Company from total revenue; it should be understood, however, that this adjustment is being made in this case only because of its extraordinary nature.

(3) The loss of 19,308 Mcf off-system transportation sales attributed to Johnson County Gas Company is not material. Test year volumes are reasonably representative of Delta's current condition; therefore, its exclusion from total revenues is not warranted.

(4) Delta's rates should be adjusted effective with the date of this Order to reflect the decreased revenues. Normalized revenue after this adjustment will decrease by \$154,186.

IT IS THEREFORE ORDERED that:

(1) Lost on-system transportation revenues attributable to Sipple Brick Company shall be excluded from total revenues.

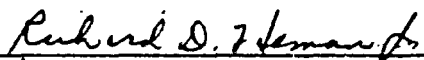
(2) Lost off-system transportation revenues attributable to Johnson County Gas Company shall not be excluded from total revenues.


(3) The rates in the Appendix to this Order be and they hereby are authorized effective with gas supplied on and after the date of this Order.

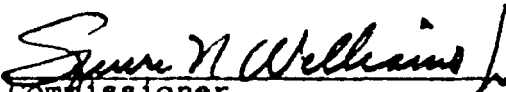
(4) The rates in the Appendix to this Order issued on December 19, 1985, be and they hereby are declared null and void effective with the date of this Order. All other provisions of Delta's tariff shall remain the same.

Done at Frankfort, Kentucky, this 28th day of January, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9331 DATED 1/28/86

The following rates and charges are prescribed for the customers served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

The following rates and charges have incorporated all changes through PGA Case No. 9331-A.

RATE SCHEDULES

AVAILABILITY

Available for general use by residential, commercial, and industrial customers who purchase their entire natural gas requirements from Delta.

RATES

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total Rate</u>
	plus		equals
General Service			
Monthly Customer Charge			\$3.98
1 - 1,000 Mcf	\$2.1096	\$3.5633	\$5.6729 per Mcf
1,001 - 5,000 Mcf	1.9637	3.5633	5.527 per Mcf
5,001 - 10,000 Mcf	1.6575	3.5633	5.2208 per Mcf
Over 10,000 Mcf	1.3512	3.5633	4.9145 per Mcf
Interruptible (2)			
1 - 1,000 Mcf	\$1.8543	\$3.5633	\$5.4176 per Mcf
1,001 - 5,000 Mcf	1.7085	3.5633	5.2718 per Mcf
5,001 - 10,000 Mcf	1.4023	3.5633	4.9656 per Mcf
Over 10,000 Mcf	1.096	3.5633	4.6593 per Mcf